

MELVERN UNIFIED SCHOOL DISTRICT NO. 456

STATUTORY BASIS FINANCIAL STATEMENTS
For the year ended June 30, 2011

And

INDEPENDENT AUDITORS' REPORTS

Long CPA, PA
A Professional Association
Certified Public Accountants

UNIFIED SCHOOL DISTRICT NO. 456

Melvorn, Kansas

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report on Financial Statements	1 - 2
Statement 1	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
Statement 2	
Summary of Expenditures - Actual and Budget	4
Statement 3	
Statement of Cash Receipts and Expenditures - Actual and Budget	
General Fund	5
Supplemental Fund	6
Vocational Education Fund	7
Special Education Fund	8
Driver Training Fund	9
Food Service Fund	10
Capital Outlay Fund	11
Professional Development Fund	12
Recreation Commission Fund	13
Gifts and Grants Fund	14
KPERS Special Retirement Contribution Fund	15
At Risk Fund (K-12)	16
Statement of Cash Receipts and Expenditures - Any Nonbudgeted funds	17-18
Statement 4	
Statement of Cash Receipts and Cash Disbursements - Agency Funds	19
Statement 5	
Statement of Cash Receipts, Expenditures and Unencumbered Cash	
- District Activity Funds	20
Notes to Financial Statements	21-31

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Board of Education
Unified School District No. 456
Melvern, Kansas 66510

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

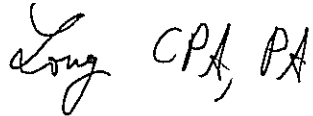
We have audited the financial statements of the individual funds of Unified School District No. 456, Melvern, Kansas, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2011, or the changes in its financial position for the year then ended.

In our opinion the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the District, as of June 30, 2011, and its cash receipts and expenditures and budgetary comparisons for the year then ended, on the basis of accounting described in Note 1.

A handwritten signature in black ink that reads "Long CPA, PA". The word "Long" is written in a cursive script, while "CPA, PA" is written in a more formal, slightly stylized font.

Long CPA, PA
A Professional Association
Certified Public Accountant

September 28, 2011

USD #456 MELVERN, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Funds							
General	\$ (202,098)	\$ 0	\$ 2,417,611	\$ 2,388,985	\$ (173,472)	\$ 16,283	\$ (157,189)
Supplemental General	(36,483)	0	490,327	463,000	(9,156)	38,218	29,062
Special Revenue Funds							
Vocational Education	19,840	0	177,404	167,244	30,000	2,445	32,445
Special Education	451,332	0	357,168	351,495	457,005		457,005
Driver Education	42,200	0	914	3,403	39,711		39,711
Food Service	49,653	0	165,216	146,098	68,771	207	68,978
Capital Outlay	662,534	0	163,077	61,652	763,959		763,959
Professional Development	16,940	0	15,835	7,417	25,358	265	25,623
Recreation Commission	6,627	0	17,146	14,658	9,115		9,115
Gifts and Grants Fund	100	0	100	0	200		200
KPERS Special Contribution	0	0	110,916	110,916	0		0
At Risk (K-12)	35,000	0	314,623	314,251	35,372	111	35,483
District Activity Funds	14,156	0	36,500	34,210	16,446		16,446
Contingency Reserve Fund	168,779	0	15,000	3,363	180,416		180,416
Title I	3,983	0	70,710	74,693	0		0
Textbook	30,000	0	23,266	16,893	36,373	8,846	45,219
Title VI - REAP	0	0	19,786	19,786	0		0
Title IIA - Teacher Quality	173	0	15,127	15,300	0		0
Title IID - Ed Tech	0	0	239	0	239		239
Total Reporting Entity	\$ 1,262,736	\$ 0	\$ 4,410,965	\$ 4,193,364	\$ 1,480,337	\$ 66,375	\$ 1,546,712

Composition of Cash

Checking Accounts	\$ 1,215,139
Petty Cash	1,500
Savings Accounts	
Municipal Investment Pool	
Certificates of Deposit	350,000
Total Cash	1,566,639
Agency Funds per Statement 4	19,927
Total Reporting Entity	\$ 1,546,712

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments to Comply with Legal Max</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Governmental Type Funds</u>						
General Funds						
General	\$ 2,276,491	\$ (111,693)	\$ 800	\$ 2,388,984	\$ 2,388,984	\$ 0
Supplemental General	463,000	0	0	463,000	463,000	0
Special Revenue Funds						
Vocational Education	169,940	0	0	169,940	167,244	2,696
Special Education	500,000	0	0	500,000	351,495	148,505
Driver Training	29,400	0	0	29,400	3,403	25,997
Food Service	191,700	0	0	191,700	146,098	45,602
Capital Outlay	300,000	0	0	300,000	61,652	238,348
Professional Development	11,200	0	0	11,200	7,417	3,783
Recreation Commission	19,000	0	0	19,000	14,658	4,342
Gifts and Grants	100	0	0	100	0	100
KPERS Special Contribution	138,658	0	0	138,658	110,916	27,742
At-Risk Fund	385,000	0	0	385,000	314,251	70,749

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 272,495	\$ 264,870	\$ 7,625
Delinquent tax	6,353	3,987	2,366
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants	121,324	44,102	77,222
State aid/grants	2,016,638	2,186,918	(170,280)
Charges for services			0
Interest income			0
Miscellaneous revenues	800		800
Operating transfers			0
Total Cash Receipts	<u>2,417,610</u>	<u>2,499,877</u>	<u>(82,267)</u>
EXPENDITURES			
Instruction	712,935	703,000	(9,935)
Student support services	31,384	30,500	(884)
Instruction support staff	27,166	30,000	2,834
General administration	177,329	178,000	671
School administration	233,259	240,000	6,741
Operations and maintenance	258,586	296,509	37,923
Student transportation services	83,258	86,768	3,510
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	865,067	935,100	70,033
Adjustment to comply with legal max		(111,693)	(111,693)
Adjustment for qualifying budget credits		800	800
Total Expenditures	<u>2,388,984</u>	<u>\$ 2,388,984</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	28,626		
Unencumbered Cash, Beginning	(202,098)		
Prior Year Cancelled Encumbrances	<u>0</u>		

Unencumbered Cash, Ending \$ (173,472)

* See Note 11 (Cash Basis Exception)

See Note 12 (Statutory Presentation)

The notes to the financial statements are an integral part of this statement.

See Note 12 (Statutory Presentation)

6

USD #456 MELVERN, KS
 VOCATIONAL EDUCATION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>177,404</u>	<u>170,100</u>	<u>7,304</u>
Total Cash Receipts	<u>177,404</u>	<u>170,100</u>	<u>7,304</u>
EXPENDITURES			
Instruction	167,126	168,940	1,814
Student support services	118	1,000	882
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>167,244</u>	<u>\$ 169,940</u>	<u>\$ 2,696</u>
Receipts Over (Under) Expenditures	10,160		
Unencumbered Cash, Beginning	19,840		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 30,000</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
SPECIAL EDUCATION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	7,434		7,434
Operating transfers	<u>349,734</u>	<u>365,000</u>	<u>(15,266)</u>
Total Cash Receipts	<u>357,168</u>	<u>365,000</u>	<u>(7,832)</u>
EXPENDITURES			
Instruction	351,495	500,000	148,505
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>351,495</u>	<u>\$ 500,000</u>	<u>\$ 148,505</u>
Receipts Over (Under) Expenditures	5,673		
Unencumbered Cash, Beginning	451,332		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 457,005</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 DRIVER TRAINING FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	814	1,540	(726)
Charges for services			0
Interest income			0
Miscellaneous revenues	100		100
Operating transfers			0
	<u> </u>	<u> </u>	<u> </u>
Total Cash Receipts	914	1,540	(626)
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Instruction	3,079	26,900	23,821
Student support services			0
Instruction support staff			0
General administration			0
School administration		1,750	1,750
Operations and maintenance	324	750	426
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	3,403	\$ 29,400	\$ 25,997
	<u> </u>	<u> </u>	<u> </u>
Receipts Over (Under) Expenditures	(2,489)		
Unencumbered Cash, Beginning	42,200		
Prior Year Cancelled Encumbrances	0		
	<u> </u>		
Unencumbered Cash, Ending	\$ 39,711		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 FOOD SERVICE FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants	100,239	84,566	15,673
State aid/grants	1,570	1,284	286
Charges for services	34,909	37,453	(2,544)
Interest income	2,327	5,000	(2,673)
Miscellaneous revenues	1,171		1,171
Operating transfers	<u>25,000</u>	<u>45,000</u>	<u>(20,000)</u>
Total Cash Receipts	<u>165,216</u>	<u>173,303</u>	<u>(8,087)</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations	146,098	191,700	45,602
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>146,098</u>	<u>\$ 191,700</u>	<u>\$ 45,602</u>
Receipts Over (Under) Expenditures	19,118		
Unencumbered Cash, Beginning	49,653		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>68,771</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
CAPITAL OUTLAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 408	\$	\$ 408
Delinquent tax	1,338		1,338
Motor vehicle tax	4,128	4,825	(697)
RV tax	160	161	(1)
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income	6,179		6,179
Miscellaneous revenues	46,609		46,609
Operating transfers	<u>104,255</u>	<u>50,000</u>	<u>54,255</u>
Total Cash Receipts	<u>163,077</u>	<u>54,986</u>	<u>108,091</u>
EXPENDITURES			
Instruction	33,332	280,000	246,668
Student transportation services		20,000	20,000
Instruction support staff			0
General administration	4,354		(4,354)
School administration	2,552		(2,552)
Operations and maintenance	8,944		(8,944)
Student support services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services	12,470		(12,470)
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>61,652</u>	<u>\$ 300,000</u>	<u>\$ 238,348</u>
Receipts Over (Under) Expenditures	101,425		
Unencumbered Cash, Beginning	662,534		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>763,959</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
PROFESSIONAL DEVELOPMENT FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	835		835
Operating transfers	<u>15,000</u>	<u>10,000</u>	<u>5,000</u>
Total Cash Receipts	<u>15,835</u>	<u>10,000</u>	<u>5,835</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff	7,417	11,200	3,783
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>7,417</u>	<u>\$ 11,200</u>	<u>\$ 3,783</u>
Receipts Over (Under) Expenditures	8,418		
Unencumbered Cash, Beginning	16,940		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 25,358</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 RECREATION COMMISSION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 15,111	\$ 15,267	\$ (156)
Delinquent tax	473	225	248
Motor vehicle tax	1,511	1,774	(263)
RV tax	51	59	(8)
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>17,146</u>	<u>17,325</u>	<u>(179)</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Community support services	14,658	19,000	4,342
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>14,658</u>	<u>\$ 19,000</u>	<u>\$ 4,342</u>
Total Expenditures	<u>14,658</u>	<u>\$ 19,000</u>	<u>\$ 4,342</u>
Receipts Over (Under) Expenditures	2,488		
Unencumbered Cash, Beginning	6,627		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 9,115</u>		

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 GIFTS AND GRANTS FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	100		100
Operating transfers			0
	<u> </u>	<u> </u>	<u> </u>
Total Cash Receipts	<u>100</u>	<u>0</u>	<u>100</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance		100	100
Student transportation services			0
Community support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>0</u>	<u>\$ 100</u>	<u>\$ 100</u>
 Receipts Over (Under) Expenditures	 100		
Unencumbered Cash, Beginning	100		
Prior Year Cancelled Encumbrances	<u>0</u>		

Unencumbered Cash, Ending \$ 200

Note - The Gifts and Grants fund is exempt from the budget law by K.S.A. 72-8210

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 KPERS SPECIAL RETIREMENT CONTRIBUTION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	110,916	138,658	(27,742)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>110,916</u>	<u>138,658</u>	<u>(27,742)</u>
EXPENDITURES			
Instruction	78,640	97,158	18,518
Student support services		1,200	1,200
Instruction support staff	887		(887)
General administration	10,759	14,000	3,241
School administration	10,093	13,000	2,907
Operations and maintenance	7,875	10,000	2,125
Student transportation services			0
Central support services			0
Other support services			0
Food service operations	2,662	3,300	638
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>110,916</u>	<u>\$ 138,658</u>	<u>\$ 27,742</u>
Total Expenditures	<u>110,916</u>	<u>\$ 138,658</u>	<u>\$ 27,742</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

The notes to financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 AT RISK FUND (K-12)
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>314,623</u>	<u>350,000</u>	<u>(35,377)</u>
Total Cash Receipts	<u>314,623</u>	<u>350,000</u>	<u>(35,377)</u>
EXPENDITURES			
Instruction	314,251	361,150	46,899
Student support services			0
Instruction support staff			0
General administration			0
School administration		23,850	0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>314,251</u>	<u>\$ 385,000</u>	<u>\$ 46,899</u>
Receipts Over (Under) Expenditures	372		
Unencumbered Cash, Beginning	35,000		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>35,372</u>		

The notes to financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2011

	<u>Contingency Reserve</u>	<u>Title I</u>	<u>Textbook</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Mineral production tax			
Federal grants		70,710	
State aid/grants			
Charges for services			
Interest income			
Miscellaneous revenues			3,266
Operating transfers	<u>15,000</u>	<u> </u>	<u>20,000</u>
Total Cash Receipts	<u>15,000</u>	<u>70,710</u>	<u>23,266</u>
EXPENDITURES			
Instruction		74,693	16,893
Student support services			
Instruction support staff			
General administration			
School administration			
Operations and maintenance	3,363		
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>3,363</u>	<u>74,693</u>	<u>16,893</u>
Receipts Over (Under) Expenditures	11,637	(3,983)	6,373
Unencumbered Cash, Beginning	168,779	3,983	30,000
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u>180,416</u>	\$ <u>0</u>	\$ <u>36,373</u>

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2011

	Title VI-B REAP	Title IIA Teach Quality	Title IID Ed Tech
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Mineral production tax			
Federal grants	19,786	15,127	239
State aid/grants			
Charges for services			
Interest income			
Miscellaneous revenues			
Operating transfers			
	<u>19,786</u>	<u>15,127</u>	<u>239</u>
Total Cash Receipts	<u>19,786</u>	<u>15,127</u>	<u>239</u>
EXPENDITURES			
Instruction	19,786	15,300	
Student support services			
Instruction support staff			
General administration			
School administration			
Operations and maintenance			
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
	<u>19,786</u>	<u>15,300</u>	<u>0</u>
Total Expenditures	<u>19,786</u>	<u>15,300</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	(173)	239
Unencumbered Cash, Beginning	0	173	0
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>239</u></u>

The notes to the financial statements are an integral part of this statement.

USD #456 MELVERN, KS
 AGENCY FUNDS
 Statement of Cash Receipts and Cash Disbursements
 For the Year Ended June 30, 2011

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Melvorn High School				
Class of 2015	\$ -	\$ 1,723	\$ 1,487	\$ 236
Class of 2014	379	1,407	627	1,159
Class of 2013	909	1,320	464	1,765
Class of 2012	1,476	26,553	19,397	8,632
Class of 2011	7,627	10,781	18,408	-
Class of 2010	409		409	-
Class of 2009	130		130	-
Class of 2008	25		25	-
FFA	626	14,586	14,477	735
Student Council	689	3,067	2,645	1,111
FCCLA	544	1,671	1,801	414
FACS	59	317	263	113
FBLA	355	3,069	2,702	722
Letter club	507	503	675	335
M club	2,053	8,074	7,098	3,029
IHT	493	20		513
Cheerleaders	164	1,990	2,119	35
Drama	181			181
Forensics	-			-
Quiz bowl	-	378	378	-
Music club	824	2,487	2,364	947
Total	\$ <u>17,450</u>	\$ <u>77,946</u>	\$ <u>75,469</u>	\$ <u>19,927</u>

The notes to the financial statements are an integral part of this statement.

USD #456 MEL VERN, KS
DISTRICT ACTIVITY FUNDS
Statement of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts							
High school athletics	\$ -	\$ -	\$ 17,868	\$ 17,868	\$ -	\$ -	\$ -
Middle school athletics	-	-	10	-	10	-	10
Subtotal Gate Receipts	-	-	17,878	17,868	10	-	10
School Projects							
High School							
Yearbook	3,422		708	2,766	1,364	-	1,364
Reading Incentive Program	19				19	-	19
Freedom Cookie Enterprises	669		1,166	904	931	-	931
Green Schools Grant	-		86		86	-	86
Pencils/copies	15				15	-	15
Library	699		244	244	699	-	699
Book rental/Equipment	646		1,880	(292)	2,818	-	2,818
Scholarships	1,520		2,219	1,500	2,239	-	2,239
Middle School							
Book rental	-		535	535	-	-	-
Yearbook	-		112	112	-	-	-
Box top money	1,548		501		2,049	-	2,049
Music	30		1,441	995	476	-	476
Fund raiser	4,086		4,671	3,610	5,148	-	5,148
Cake raffel	335		175	339	171	-	171
Pop	-		1,256	1,252	4	-	4
Student activities	1,167		3,628	4,377	418	-	418
Subtotal School Projects	14,156	0	18,622	16,342	16,437	0	16,437
Total District Activity Funds	\$ 14,156	\$ 0	\$ 36,500	\$ 34,210	\$ 16,447	\$ 0	\$ 16,447

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

USD No.456 is a municipal corporation governed by an elected seven member board. The district as an entity has been defined to include, on a combined basis, (a) USD No.456 (b) organizations for which USD No. 456 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with USD No.456 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the District's report.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year 2011:

Governmental Funds

General Fund – To account for the resources except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to be expended for specified purposes.

Fiduciary Funds

Agency Funds – To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles (GAAP)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursement, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenues and matured principle and interest payable, and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with United States generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments noted for the year 2011.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the city for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds and trust funds and the following special revenue funds:

Title IID Fund	Title IIA Fund
Title VI - REAP	Title I Fund
Contingency Reserve Fund	District Activity Funds
Textbook Fund	

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The district has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices. The district had no investments during 2011.

Concentration of Credit Risk

State statutes place no limit on the amount the district may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. State statutes require the district's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (continued)

Custodial Credit Risk – Deposits (continued)

Home Loan Bank of Topeka, except during designated “peak periods” when required coverage is 50%. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the government’s carrying amount of deposits was \$ 1,546,712 and the bank balance was \$ 1,761,395. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions’ agents in the district’s name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – Defined Benefit Pension Plan

Plan Description – USD No. 456 participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees’ contributions are withheld by their employer and paid to KPERS according to the provisions of section 414 (h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas’ contributions to KPERS for the

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

year ended June 30, 2011 was \$188,864,352 with a remaining balance due of \$64,969,692 which was received by July 12, 2011.

NOTE 4 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the county carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 5 – Compliance with Kansas Statutes

We noted a violation of K.S.A. 9-1402, the Kansas Depository Security law, during the period under examination.

NOTE 6 – Compensated Absences

Vacation is provided for all twelve month employees. Employees cannot carry any vacation forward.

Sick leave accumulates at the rate of 10 days per year for all employees. A maximum of 65 days of sick leave can be accumulated. Employees are reimbursed at the end of each year at \$ 40 per day for all days for all days accumulated over 65 days.

The district has not computed or recorded the potential liability.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Interfund Transactions

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Food Service Fund	K.S.A. 72-6428	\$ 10,000
General Fund	Special Education Fund	K.S.A. 72-6428	300,000
General Fund	Vocational Education Fund	K.S.A. 72-6428	121,695
General Fund	Contingency Reserve Fund	K.S.A. 72-6428	15,000
General Fund	Capital Outlay Fund	K.S.A. 72-6428	104,255
General Fund	At Risk Fund	K.S.A. 72-6428	279,117
General Fund	Professional Development	K.S.A. 72-6428	15,000
General Fund	Textbook Fund	K.S.A. 72-6428	20,000
Supplemental General Fund	Special Education Fund	K.S.A. 72-6425	49,734
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6425	55,710
Supplemental General Fund	Food Service Fund	K.S.A. 72-6425	15,000
Supplemental General Fund	At Risk Fund	K.S.A. 72-6425	35,506

NOTE 8 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

UNIFIED SCHOOL DISTRICT NO. 456
Melvern, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Contingency

The District receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such disallowances, if any, will not be significant to the District's financial statements.

NOTE 10 – Cash Basis Exception

The State of Kansas statutes exempt all funds from a cash basis violation if the violation was as result of delayed payment by the state.

NOTE 11 – Subsequent Events

Subsequent events for management's review have been evaluated through September 28, 2011. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 12 – Compliance with K.S.A. 72-6417 (d) and K.S.A. 72-6434 (d)

K.S.A. 72-6417 (d) and K.S.A. 72-6434 (d) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes:

USD #456 MELVERN, KS
GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2011

Note 12-

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 272,495	\$ 264,870	\$ 7,625
Delinquent tax	6,353	3,987	2,366
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants	121,324	44,102	77,222
State aid/grants	1,988,012	2,186,918	(198,906)
Charges for services			0
Interest income			0
Miscellaneous revenues	800		800
Operating transfers			0
	<u>2,388,984</u>	<u>2,499,877</u>	<u>(110,893)</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	712,935	703,000	(9,935)
Student support services	31,384	30,500	(884)
Instruction support staff	27,166	30,000	2,834
General administration	177,329	178,000	671
School administration	233,259	240,000	6,741
Operations and maintenance	258,586	296,509	37,923
Student transportation services	83,258	86,768	3,510
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	865,067	935,100	70,033
Adjustment to comply with legal max		(111,693)	(111,693)
Adjustment for qualifying budget credits		800	800
	<u>2,388,984</u>	<u>\$ 2,388,984</u>	<u>\$ 0</u>
Total Expenditures			
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

USD #456 MELVERN, KS
SUPPLEMENTAL GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2011

Note 12-

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 247,636	\$ 252,862	\$ (5,226)
Delinquent tax	6,157	3,671	2,486
Motor vehicle tax	19,843	23,279	(3,436)
RV tax	650	777	(127)
Mineral production tax			0
Federal grants			0
State aid/grants	188,807	189,424	(617)
Charges for services			0
Interest income			0
Miscellaneous revenues	648		648
Operating transfers			0
	<u>463,741</u>	<u>470,013</u>	<u>(6,272)</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	244,708	311,500	66,792
Student support services	7,246		(7,246)
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	55,096	85,000	29,904
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	155,950	66,500	(89,450)
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>463,000</u>	<u>\$ 463,000</u>	<u>\$ 0</u>
Total Expenditures			
Receipts Over (Under) Expenditures	741		
Unencumbered Cash, Beginning	1,320		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 2,061</u>		